



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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July 5, 2016

To: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Sachi A. Hamai  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Sachi A. Hamai", is written over the printed name and title.

### **SACRAMENTO UPDATE - ANALYSIS OF THE FY 2016-17 STATE BUDGET ACT**

#### **OVERVIEW**

On June 27, 2016, Governor Brown signed the \$170.8 billion State Budget Act, which provides \$122.5 billion in State General Fund expenditures, and includes \$2.7 billion in total reserves with a \$6.7 billion Rainy Day Fund balance by June 2017. The Governor also signed 12 budget trailer bills. As previously reported, the enacted budget and the related budget trailer bills reflect the agreement reached by Governor Brown, Senate President pro Tempore De León, and Assembly Speaker Rendon.

In his signing message, the Governor noted that the budget directs an additional \$2.0 billion to the Rainy Day Fund and \$1.75 billion to the Special Fund for Economic Uncertainties to help meet State obligations in the face of declining revenue or unanticipated obligations. The Governor also indicated that the budget pays down State debt, increases school funding, repeals the CalWORKs Maximum Family Grant Rule, adopts the "No Place Like Home" proposal, and provides a set-aside of \$400.0 million for allocation later in the legislative session for affordable housing contingent on enactment of legislation regarding the use of "by-right" land use entitlements.

*"To Enrich Lives Through Effective And Caring Service"*

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### **Estimated County Impact**

Based on our analysis of information available, the County will not experience a loss of funding or program reductions from any of the provisions in the FY 2016-17 State Budget Act. On the contrary, the final budget package includes a number of County-supported proposals which are favorable to the programs and the residents we serve, including the following items:

- **Medi-Cal Administration.** The approved budget provides an additional \$169.9 million in FY 2016-17 and FY 2017-18 for counties to determine Medi-Cal eligibility on behalf of the State. This additional funding is needed due to increased Medi-Cal caseload from the implementation of the Affordable Care Act and the system built to automate eligibility determinations, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which is not yet functional.
- **CalWORKs Program Maximum Family Grant Rule.** The approved budget repeals the Maximum Family Grant (MFG) rule under the CalWORKs Program effective January 1, 2017. The MFG rule prohibits the denial of aid, or an increase in the maximum aid payment, if a child was born into an applicant's or recipient's family while receiving aid in the program.
- **CalWORKs Housing Support Program.** The approved budget includes an increase of \$12.0 million for the CalWORKs Housing Support Program to serve additional families and children in need of homeless assistance services. This funding is in addition to the current \$35.0 million for the program, for a total allocation of \$47.0 million statewide.
- **Commercially Sexually Exploited Children (CSEC).** The approved budget includes an increase of \$5.0 million for the CSEC program to assist child welfare agencies with serving CSEC victims and complying with recent Federal mandates pursuant to H.R. 4980, the Preventing Sex Trafficking and Strengthening Families Act, for a total allocation of \$19.7 million statewide.
- **"Bringing Families Home."** The approved budget adopted a modified County-supported budget proposal to provide one-time funding of \$10.0 million for a county-matching "Bringing Families Home" pilot program to help child welfare homeless families with housing-related assistance.

- **Human Trafficking Grants.** The approved budget provides \$10.0 million in one-time funding for community-based grants to provide services for victims of human trafficking.
- **Adult Protective Services (APS) Training.** The approved budget provides \$3.0 million in one-time funding to provide training for APS social workers and supervisors. Currently, only \$88,000 in State funding is allocated for APS training.
- **Senior Nutrition Program Funding Augmentation.** The approved budget provides \$2.0 million in one-time funding to augment the Senior Nutrition Program for total State funding of \$10.3 million and \$68.5 million in Federal funding.
- **Proposition 47 Grant Programs.** In addition to the \$39.4 million in savings identified in the May Revision, the approved budget includes an additional \$28.0 million for Proposition 47 grant programs, for a total allocation of \$67.4 million.

Attachment I provides a summary of the budget provisions of interest to the County.

This office will continue to work with affected departments to determine the County impact of the enacted State Budget and will continue to keep you advised.

SAH:JJ:MR  
VE:IGEA:ma

#### Attachment

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participant

## FY 2016-17 STATE BUDGET ACT

### Homelessness and Housing

**“No Place Like Home.”** The approved budget adopts the County-supported “No Place Like Home” proposal to redirect \$130.0 million in Proposition 63, Mental Health Services Act funds to securitize up to \$2.0 billion in bond funding for the construction of supportive housing for homeless persons with mental illness. Under the proposal, bond proceeds would be distributed to counties on a competitive basis for acquisition, design, construction or reconstruction of permanent supportive housing. The approved budget includes first-year funding of \$267.0 million from the bond proceeds and appropriates \$6.2 million in Proposition 63 funds for technical and application assistance to counties.

**“By-Right” Proposal.** The approved budget provides a set-aside of \$400.0 million in State General Funds for affordable housing programs, contingent on the enactment of a “by-right” process. Under a “by-right” process, a local government would not be able to require a conditional use permit, planned unit development permit, or other discretionary local government review or approval for qualifying developments that include affordable housing (provided they are consistent with general plan and zoning standards, and where applicable, are subject to mitigating measures to address potential environmental harm). The Administration and the Legislature are expected to continue negotiations on this item during the summer recess and to consider a budget trailer bill when the Legislature reconvenes in August.

**Supplemental Security Income Outreach.** The approved budget allocates \$45.0 million to provide application assistance to increase participation among homeless persons potentially eligible for Supplemental Security Income benefits.

**Emergency Solutions Grants.** The approved budget allocates \$45.0 million to fund activities under the Federal Emergency Solutions Grant Program, including rapidly rehousing individuals and families, preventing families and individuals from being homeless, engaging homeless individuals and families living on the streets, and operating homeless shelters.

### Health Care

**Medi-Cal 2020 Waiver.** The approved budget assumes \$2.2 billion in Federal revenue for the renewal of the 1115 Medicaid Waiver, Medi-Cal 2020 that began on January 1, 2016. **The Department of Health Services (DHS) estimates that the County will receive approximately \$3.5 billion in Federal funding over the five-year period of the Medi-Cal 2020 Waiver.**

**Extension of Medi-Cal to Undocumented Children.** The approved budget allocates \$188.2 million statewide to extend full-scope Medi-Cal benefits to 185,000 undocumented children under 19 years of age effective May 1, 2016, as provided under SB 75 (Chapter 18, Statutes of 2015). **The Department of Public Social Services (DPSS) estimates that in December 2015, 36,942 undocumented children under 19 years of age who received limited-scope Medi-Cal benefits would be eligible for full-scope Medi-Cal benefits under the expansion. DHS estimates that approximately 24,000 uninsured children currently receiving health care services provided by the County are potentially eligible for Medi-Cal benefits under the expansion.**

**Medi-Cal Expansion - County Indigent Savings.** The approved budget redirects \$585.9 million statewide in 1991 Health Realignment funding from counties to the State. This amount is based on the methodologies contained in AB 85 (Chapter 24, Statutes of 2013) which modified the distribution of the 1991 Health Realignment indigent health funding to capture and redirect county savings attributable to the expansion of Medi-Cal to the State. **The approved budget redirects \$5.6 million in County funds to the State in FY 2016-17.**

In FY 2013-14, \$300.0 million in AB 85 funding was redirected from counties to the State, subject to a final reconciliation in 2016. The County's share of redirected funds was \$88.0 million. **The approved budget provides a repayment of \$177.4 million statewide in repayments to counties for 1991 Health Realignment funding redirected to the State in FY 2013-14. The County will receive a repayment of \$83.8 million.**

**Hospital Quality Assurance Fee.** The approved budget extends the hospital quality assurance fee from January 1, 2017 to January 1, 2018, for State General Fund (SGF) savings of \$845.0 million in FY 2017-18. This fee is assessed on certain general acute care private hospitals. The revenue generated by the fee is used to draw down enhanced Federal Medicaid matching funds which provide additional Medi-Cal payments to hospitals, to fund children's health services, and to increase payments to Medi-Cal managed care plans providing hospital services. The fee is currently set to expire on January 1, 2017.

## **Social Services**

**County Medi-Cal Administration.** The approved budget provides County-supported funding of an additional \$169.9 million in FY 2016-17 and FY 2017-18 for counties to determine Medi-Cal eligibility on behalf of the State. This additional funding is needed due to increased Medi-Cal caseload from the implementation of the Affordable Care Act (ACA) and the system built to automate eligibility determinations, the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS), which is not yet functional. **DPSS indicates this additional funding will help with the increased workload for county eligibility workers to address rising caseloads under the ACA and with CalHEERS system challenges, and to continue to effectively determine Medi-Cal eligibility for County residents.**

**CalWORKs Program.** The approved budget includes the following key components related to the CalWORKs Program:

- **Maximum Family Grant Rule Repeal.** The approved budget contains a County-supported proposal that repeals the Maximum Family Grant (MFG) rule under the CalWORKs Program effective January 1, 2017. The MFG rule prohibits the denial of aid, or an increase in the maximum aid payment, if a child was born into an applicant's or recipient's family while receiving aid in the program. **According to DPSS, the repeal of the MFG rule will provide CalWORKs assistance to the 45,717 children in the County who are currently unaided due to this rule.**
- **Housing Support Program.** The approved budget includes a modified County-supported increase of \$12.0 million in FY 2016-17 for the CalWORKs Housing Support Program to serve additional families and children in need of homeless assistance services. This funding is in addition to the current \$35.0 million for the program, for a total allocation of \$47.0 million statewide. **DPSS indicates that this additional funding will allow the County to continue assisting more eligible CalWORKs families in need of homeless assistance services. DPSS notes that a total of 1,246 families in the County received crisis housing assistance under the program from July 2015 through December 2015.**
- **Homeless Assistance Program.** The approved budget contains a change in the CalWORKs Homeless Assistance Program to lift the once-in-a-lifetime restriction on the temporary and permanent housing benefits available in the program, and to make this assistance available once every 12 months, beginning January 1, 2017.
- **Grant Increase.** The approved budget includes a CalWORKs grant increase of 1.43 percent for all cases, effective October 1, 2016.

**In-Home Supportive Services (IHSS).** The approved budget includes the following key provisions related to the IHSS Program:

- Restoration of IHSS Service Hours: continues to provide an increase of \$265.8 million SGF to reflect the restoration of the 7 percent reduction to IHSS service hours. It also funds this restoration using proceeds from the managed care organization tax. The restoration shall remain in effect until June 30, 2019, when the tax is scheduled to expire; and
- IHSS Compliance with Federal Labor Standards Act: provides adjustments for the Federal Labor Standards Act (FLSA) regulations, overtime, and compliance in the IHSS program, amounting to \$245.8 million SGF (\$517.6 million total funds), with modifications. The implementation of the Federal overtime rules for IHSS providers is now expected to begin in the fall.

**The Department of Public Social Services indicates that as long as the current IHSS Maintenance of Effort remains in place, there would be no direct fiscal impact to the County as a result of the restoration of the 7 percent reduction in IHSS service hours. According to DPSS, the overall impact of this action to consumers of the IHSS program continues to be positive, allowing consumers to receive hours previously lost with the budget reduction.**

**Commercially Sexually Exploited Children (CSEC).** The approved budget includes an increase of \$5.0 million for the CSEC program to assist child welfare agencies with serving CSEC victims and complying with recent Federal mandates pursuant to H.R. 4980, the Preventing Sex Trafficking and Strengthening Families Act, for a total allocation of \$19.7 million statewide. The County supported an increase of \$19.7 million for this program proposed by the County Welfare Directors Association.

**“Bringing Families Home.”** The approved budget contains a modified County-supported proposal to provide one-time funding of \$10.0 million for a county-matching pilot program “Bringing Families Home” to help child welfare homeless families with housing-related assistance. **According to the Department of Children and Family Services (DCFS), housing resources for many families in the child welfare system are critical to successful family reunification. DCFS indicates that without support housing needs, many families may face homelessness, as well as prolonged separation from their children.**

**Child Welfare Continuum of Care Reform.** The approved budget includes a total of \$148.0 million (\$117.0 million SGF) in FY 2016-17 for the implementation of the Child Welfare Continuum of Care Reform enacted in AB 403 (Chapter 773, Statutes of 2015). Most of the major components of this law become effective on January 1, 2017. As previously reported, the reforms in AB 403 emphasize home-based family care and a reduction in the number of foster youth in group home care, among other changes that will require significant implementation efforts by counties, the State, foster care providers, and others. **This office is working with affected departments to determine the County impact of this proposal.**

**Approved Relative Caregiver Program.** The approved budget contains clarifying language for the Approved Relative Caregiver (ARC) program that a relative who has been approved under the Resource Family Approval (RFA) process and who is federally ineligible for Aid to Families with Dependent Children-Foster Care program is authorized to receive a CalWORKs grant and a supplemental amount equal to the resource.

**Child Care and Early Childhood Education.** The approved budget provides increased funding for child care and early learning programs of \$527.0 million over the next four years, of which \$145.0 million is allocated in FY 2016-17, and includes the following key provisions to:

- Provide \$100.0 million annually to fund an additional 8,877 full-day, full-year State Preschool slots, over four years. Starting March 1, 2017, an additional 2,959 full-day State Preschool slots will be added each year;
- Increase early childhood education rates over four years by a total of \$427.0 million annually to accommodate increases to the minimum wage, including an increase of the Standard Reimbursement Rate, paid to center-based care and preschools by 10 percent beginning January 1, 2017;
- Provide a mechanism to increase rates in FY 2018-19 and in future years if the minimum wage increase anticipated for that year goes into effect;
- Provide one-time and ongoing funds for quality improvement and support activities;
- Provide one-time funds for the Los Angeles Trade-Tech Community College to offer job training, mentoring, and college courses through an early childhood apprenticeship program; and
- Maintain funding for the Local Child Care and Development Planning Councils at \$3.3 million; among other provisions.

### **Public Safety**

**Proposition 47 Grant Programs.** In addition to the \$39.4 million in savings identified in the May Revision, the approved budget includes an additional \$28.0 million for Proposition 47 grant programs, for a total allocation of \$67.4 million as follows:

- \$3.9 million for victim services programs;
- \$27.9 million for truancy prevention programs; and
- \$35.6 million for local recidivism prevention programs.

In future years, the Administration projects ongoing savings for Proposition 47 of approximately \$62.6 million annually.

**Jail Construction Funding.** The approved budget provides \$270.0 million in lease revenue bond financing for county jail construction projects with an emphasis on expanding program and treatment space. Of this amount, \$20.0 million is set aside to make necessary repairs to the Napa County jail due to damage sustained in the 2014 earthquake. This competitive grant program will be available to counties that have previously received only a partial award or never received an award for correctional facility funding. The approved budget includes requirements that facilities built using this funding to allow for in-person visitation and efforts to address sexual abuse in the facility.

**Community Corrections Performance Incentive Grant.** The approved budget includes \$125.3 million statewide for the Community Corrections Performance Incentive Grant (SB 678, Chapter 608, Statutes of 2009), which provides county probation departments performance-based funding when they successfully reduce the number of adult felony probationers going to State prison. **The County will receive an estimated \$45.1 million in SB 678 funds in FY 2016-17.**

**Post Release Community Supervision.** The approved budget includes \$19.6 million for county probation departments to address the temporary increase of offenders on Post Release Community Supervision (PRCS) as a result of the Three-Judge Panel's orders to: 1) increase credit earnings for certain second-strike offenders; 2) make certain second-strike offenders eligible for parole consideration once they have served 50 percent of their sentence; and 3) expand two-for-one credits to eligible minimum custody inmates. **The County will receive an estimated \$5.6 million in additional PRCS funds in FY 2016-17.**

**Law Enforcement Assisted Diversion Pilot Program.** The approved budget includes \$15.0 million in one-time funds to create the Law Enforcement Assisted Diversion (LEAD) pilot program. The competitive grant program provides funding up to three local jurisdictions to give law enforcement the discretion to divert individuals who have committed low-level offenses to social services in lieu of prosecution. Under this program, participants would receive supportive services including: housing; medical care; mental health services; alcohol and substance use disorder treatment; nutritional counseling; civil legal services; and employment assistance. Jurisdictions awarded LEAD grants would also be authorized to use the funding for dedicated law enforcement resources and technical assistance from LEAD experts in other jurisdictions.

**Diversion Program Infrastructure Grants.** The approved budget includes \$67.5 million in one-time funding for community infrastructure grants intended for counties and cities to increase diversion treatment system capacity specifically, mental health and substance use disorder treatment, trauma services, and other supportive services. Under this program, local jurisdictions would be authorized to use the funds for facility acquisition or renovation, equipment acquisition, and applicable program start-up or expansion costs capacity for diversion programs.

**Community Based Transitional Housing Program.** The approved budget includes a \$25.0 million siting grant program to encourage local communities to support housing that provides reentry programs for offenders released from State prison or county jail. The program would grant cities or counties up to \$2.0 million to obtain conditional use permits or other local entitlements to a facility that would provide transitional housing for at least 10 years. Local jurisdictions would be allowed to retain 60 percent of the funds to use for: 1) discretionary law enforcement services, including efforts to enhance public safety in the facility's vicinity; 2) community outreach efforts to address the concerns of local residents; and/or 3) other activities to improve community relations regarding the facility. The remaining 40 percent of the funds would go to the facility operator to use for: 1) treatment and reentry services; 2) enhancing the security of the facility; 3) community outreach; and/or 4) facility start-up costs.

**Community Corrections Partnership Planning Grants.** The approved budget provides \$7.9 million in one-time planning grants to assist local Community Corrections Partnerships (CCPs) with ongoing AB 109 implementation efforts. As in past years, the grants will be allocated based on county population, including \$200,000 to counties with a population of 750,000 and above. Receipt of these funds will be conditioned upon counties submitting a report on the implementation of the 2015-16 CCP plan, as accepted by a county board of supervisors.

**Community Reentry for Prison Inmates.** The approved budget contains statutory language that would expand the time a prison inmate can be housed in a community reentry facility from 120 days to up to one year.

**UCC Gun Violence Research Center.** The approved budget provides \$5.0 million for the creation of a gun violence research center in partnership with the University of California. The center would develop statistical data and analysis on the nature, societal consequences, and prevention and treatment of gun violence for the purpose of creating sound firearm policies and programs.

### **General Government**

**Suspended Mandates.** The approved budget continues the suspension of 56 State mandates, including Interagency Child Abuse and Neglect (ICAN) Investigation Reports, which requires various child abuse investigation activities by certain local agencies, as well as, seven elections and voting mandates: 1) Absentee Ballots; 2) Absentee Ballots - Tabulation by Precinct; 3) Brendon Maguire Act, which requires counties to conduct a special election if a candidate or incumbent dies; 4) Modified Primary Election, which permits voters who declined to provide a political party preference to participate in a primary election if authorized by the rules of a political party; 5) Permanent Absentee Ballots; 6) Voter Identification Procedures; and 7) Voter Registration Procedures.